Agenda Date: October 26, 2005
Item Number: A4

Docket: UG-051372

Company: Avista Corp., d.b.a. Avista Utilities

Staff: Mike Parvinen, Regulatory Analyst

<u>Recommendation</u>:

Take no action, thereby allowing the substitute tariff sheets filed in Docket UG-051372 to become effective on November 1, 2005, by operation of law.

<u>Background</u>:

On September 12, 2005, Avista Corp., d/b/a Avista Utilities ("Avista" or "Company") filed its Purchase Gas Adjustment and Deferred Gas Cost Amortization tariffs with an effective date of November 1, 2005. Subsequently, Avista filed substitute tariff sheets to reflect the most current revenue sensitive tax rates. The net effect of the filing is an increase in annual revenues of $38.25 million (23.26 %).

Avista serves approximately 135,000 natural gas customers in Eastern Washington, including Spokane and surrounding communities.

The Purchased Gas Adjustment (PGA) and Deferral Amortization mechanisms are designed to pass on actual gas costs to customers. The PGA establishes for the upcoming year what the best projection is going to be for the cost of gas. The difference between the projected cost and the actual cost is deferred in Account 191 and amortized back to customers with interest, whether it is a refund or surcharge.

The PGA portion of this filing reflects a weighted average cost of gas (WACOG) of $0.86214/therm ($0.78133/therm for commodity and $0.08081/therm for demand) in rates. Currently, the PGA rate reflects a WACOG of $0.64811. This change results in an increase to annual revenues of $38 million (23.09%). The increase is due to the expected higher wholesale price for commodity gas cost.

The gas cost deferral amortization portion of this filing reflects an increase to annual revenues of $272,874 (0.17%). Currently, the Deferred Gas Cost Amortization rate is a surcharge designed to collect an under-recovery of gas costs from July 1, 2003, through June 30, 2004. The Company proposes a surcharge in this filing to recover the under-recovered gas costs of $8.5 million over a two year period. The deferral period covers the twelve-month ended June 30, 2005.

Summary:

The impact of the filing on a monthly bill to residential customers with consumption of 70 therms will be an increase of $16.22 (23.29%).

The net effect of the PGA and gas cost deferral amortization filings on the Company's rates and annual Washington revenues is as follows:

	Per Therm Change	Annual Rev. Change	Percent Change
Residential	$0.23173	$25,264,415	23.29%
Commercial	0.22823	10,683,446	28.53%
Industrial	0.22796	2,111,966	29.71%
Interruptible	0.22888	185,374	29.50%
Transportation	0.00041	5,767	0.68%
Total		$38,250,968	23.26%

Conclusion:

Staff has reviewed the Company's prospective gas costs and deferral accounts and found them reasonable. Staff recommends the Commission take no action, allowing the substitute tariff sheets filed in Docket UG-051372 to become effective November 1, 2005, by operation of law.